

Tilburg University

Promoting decent jobs in the labour market

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Published in:
AWAKE International magazine 2010/2011

Publication date:
2011

Document Version
Publisher's PDF, also known as Version of record

[Link to publication in Tilburg University Research Portal](#)

Citation for published version (APA):
Wilthagen, A. C. J. M. (2011). Promoting decent jobs in the labour market: Is work the key in combating poverty? *AWAKE International magazine 2010/2011*, 8-9.

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ERADICATE EXTREME POVERTY AND HUNGER

Halve the proportion of people whose income is less than \$1 a day, achieve full and productive employment and decent work for all, including woman and young people and halve the proportion of people who suffer from hunger

Promoting decent jobs in the labour market

Is work the key in combating poverty?

By Ton Wilthagen

Chair in Institutional and Legal Aspects of the Labour Market, Director of the research institute Reflect and chair of the Department of Labor Law and Social Policy at Tilburg University, the Netherlands

The significance of paid work is generally acknowledged, both from an economic and social perspective. As the International Labor Organization (ILO) puts it on its website (www.ilo.org) Work is central to people's well-being

“Work is central to people's well-being”

In addition to providing income, work can pave the way for broader social and economic advancement, strengthening individuals, their families and communities.” Thus, work is key in combating poverty.

Through its so-called Decent Work Agenda, the ILO has also aptly described the conditions employment needs to provide, including rights at work, extended social protection, including free-time and rest, compensation in case income from work is lost or reduced and access to health care and the promotion of social dialogue, i.e. the involvement of strong workers' and employers' organizations in shaping the world of work. The ILO is aware that it is not enough to make current jobs and workplaces more decent as a continuous process of job creation is a precondition to establish inclusive labor markets that offer opportunities for all, irrespective of sex, age, race and physical and mental abilities. Thus as another condition for decent work the ILO points at the need for “an economy that generates opportunities for investment, entrepreneurship, skills development, job creation and sustainable livelihoods.” Without (more) jobs there will be no work at all, let alone decent work.

Here we run into one of the main dilemma's for politics and policies: how to stimulate a dynamic, job-creating economy and labor market on the one hand without ignoring or dropping

decent work standards? This dilemma does not merely apply to labor markets in developing countries. In these countries a large part of the population is officially unemployed and legally regulated wage employment is scarce anyway. People try to make a living in a large informal economy by engaging in agriculture and in a wide range of industrial, trade and service activities on the basis of daily “spot market” hiring (and firing) and self-employment. National and international programs (including the ILO's Decent Work Country Programs that run or have run such as IMF, World Bank Programs and in some 50 countries like Indonesia) focus on, among other things, on efforts to turn the informal (black market) economy into a regular economy. “Normalizing” and regulating (by labor law) informal work activities would not only contribute to more state income, in the form of fiscal revenues, that can e.g. be used to set up basic social security and protection systems (which are usually absent or rudimentary), it would also offer rights at work for the workers involved. However, as informal work is more flexible than any form of officially regulated employment and informal wages are typically cheaper than legally regulated wages employers are often reluctant to regularize the deployment of their workforces. Also workers are faced with a choice between no or informal employment.

In many western countries a large proportion of new employment has recently been created through flexible jobs, including fixed-term employment, agency work, on call work, self-employment (which has strongly increased in a number of countries) and seasonal work. In the Netherlands this share now amounts to 34 percent of the labour force. During the crisis this “flexible shell” has been used as a buffer allowing firms to quickly adjust

the size of their workforce in view of strongly reduced business activity. Now that the economy is improving employment is on the rise again, but many workers, young people, women and older workers (those made redundant during the crisis) are predominately offered flexible employment contracts. Although a part of these workers voluntary chose for more flexible employment relations and are not unhappy with of a part of the employment conditions, all in all flexible employment is less favorable compared to standard employment (in the Netherlands the wage penalty, i.e. the difference in wages in atypical and typical work is 35 percent on average). As the transition from flexible jobs to more regular employment (the so-called stepping stone function) has become more difficult in recent years (only 16 percent of young Dutch men currently gets a open ended contract within one year), the threat of a segmented, two-tier labor market is real or has already materialized, e.g. in countries like Spain.

“Only 16 percent of young Dutch men currently gets a open ended contract within one year”

What would be the pathway to more decent jobs in both areas of the world, without hampering employment growth? Research shows that productivity enhancement strategies, facilitated by training and education programs for flexible work forces are the key to success. In developing countries employers need to be helped by the state and international organizations to raise the productivity of their businesses in return for regularizing employment conditions. Enhanced productivity will allow for better wages and fiscal and social security contributions. In western countries flexible work forces should be offered better training and education facilities by including them in the existing training and education systems that are often incorporated in branches of industry through collective labor agreements. This will not only raise the productivity of these workers, which is crucial in embarking on the road to the highly desired “knowledge economy”, but it will also enable them to progress in the labor market instead of remaining in dead end street employment.

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